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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-666

UNITED STATES OF AMERICA, *Appellant*

v.

GLAXO GROUP LIMITED, AND IMPERIAL CHEMICAL INDUSTRIES LIMITED

On Appeal From the United States District Court for the District of Columbia

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Brief of Defendant Imperial Chemical Industries Limited, in Support of Motion To Affirm and Motion To Dismiss Appeal

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Defendant Imperial Chemical Industries Limited in the above-entitled case moves to affirm on the grounds that both questions presented are so unsubstantial as not to need further argument, and in the alternative to dismiss the first question presented herein on the ground that the appeal is not within the jurisdiction of this Court because not taken in conformity to statute.

QUESTIONS PRESENTED

1. Whether the United States has standing to challenge the validity of a patent duly issued by the Patent Office, in the absence of fraud on the Patent Office and independently of antitrust claims by the United States or of reliance by antitrust defendants on the patent to justify a challenged restraint of trade.

2. Whether, upon findings in a government antitrust suit that the defendants

(a) illegally reserved the power to restrict the bulk resale of a drug by their customers, but

(b) did not monopolize trade, and

(c) did not use patents relating to the drug in contravention of the antitrust laws,

the District Court erred in not requiring the defendants to sell the drug on reasonable and non-discriminatory terms and prices to all *bona fide* applicants and to license, at reasonable royalties, patents relating to the drug.

ADDITIONAL STATUTORY PROVISIONS INVOLVED

Sec. 1 of the Expediting Act of February 11, 1903, 32 Stat. 823, as amended, 15 U.S.C. 28, provides in pertinent part:

> In any civil action brought in any district court of the United States under the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," approved July second, eighteen hundred and ninety, "An Act to regulate commerce," approved February fourth, eighteen hundred and eighty-seven, or any other Acts having a like purpose that hereafter may be enacted * * *.

Sec. 2 of the Expediting Act of February 11, 1903, 32 Stat. 823, as amended, 15 U.S.C. 29, provides:

> In every civil action brought in any district court of the United States under any of said Acts, wherein the United States is complainant, an appeal from the final judgment of the district court will lie only to the Supreme Court.

Sec. 4 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. 4 ("An Act to protect trade and commerce against unlawful restraints and monopolies") provides in pertinent part:

> The several district courts of the United States are invested with jurisdiction to prevent and restrain violations of sections 1-7 of this title; and it shall be the duty of the several United States attorneys, in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain such violations. Such proceedings may be by way of petition setting forth the case and praying that such violation shall be enjoined or otherwise prohibited. * * * *

COUNTER STATEMENT

The Government's Jurisdictional Statement * so frequently couples references to patents and patent licenses with violation of the antitrust laws (J.S. 10, 15-18) as to convey the misleading impression that the District Court had made a finding that defendants had misused patents to violate the antitrust laws. On the contrary, the District Court said: "The case has not been characterized as a patent misuse, patent licensing, or know-how licensing problem" (J.S. 37,

* References to this Statement, including the District Court's various opinions and orders reprinted in the Appendixes thereto, take the form "J.S.", followed by the page number.

fn. 40; see also J.S. 38, fn. 43), and found that "there has been no showing that either Glaxo or ICI has abused its patent rights" (J.S. 69).

On the substantive side, this case involves a single antitrust and a single patent issue, each of which was separately decided on its own independent grounds. The Government's statement so confuses and obscures these two simple issues that we feel constrained to submit a counter statement, keyed in to the opinions and orders entered in the District Court.

1. The Antitrust Liability Issue

Imperial Chemical Industries Limited ("ICI") is a British corporation engaged in the manufacture and sale in the United Kingdom of the antibiotic drug product "griseofulvin." On September 12, 1958, ICI and American Home Products Company ("AMHO") executed a contract constituting AMHO ICI's exclusive distributor for ICI drug products in the United States (J.S. 26, No. 4). Pursuant to this contract, ICI on October 4, 1962, entered into a product agreement with AMHO, whereby ICI agreed to sell griseofulvin in bulk form to AMHO and AMHO was authorized to process the bulk into dosage form griseofulvin (tablets or capsules) and to sell the dosage form (J.S. 25, No. 6). The 1962 agreement contained the following provision: "You [AMHO] will not, without first obtaining our [ICI's] consent, resell or redeliver in bulk supplies of griseofulvin" (J.S. 27, No. 6). In October 1967, prior to the complaint herein, defendant ICI cancelled the bulk resale restriction in the griseofulvin product agreement and in eight other drug product agreements with AMHO nowise involved in this case (J.S. 28, No. 13). ICI

filed affidavits with the District Court that it would not reinstate the bulk resale provision and was removing all restrictions on AMHO's freedom to resell bulk griseofulvin (J.S. 28, No. 14).

In its Motion for Partial Summary Judgment on Restraint of Alienation Issue, the Government attacked the above ICI-AMHO bulk resale restriction as a *per se* violation of the Sherman Act, under the doctrine laid down in *United States* v. *Arnold, Schwinn & Co.*, 388 U.S. 365 (1967). ICI cross-moved for summary judgment, on the grounds of mootness [1] and that the bulk resale restriction was reasonably ancillary to its exclusive distributorship arrangement with AMHO. District Judge Gasch granted the Government's, and denied ICI's, motion. He found, as an ultimate fact, that the bulk sale restriction constituted "a reservation of power in the seller to control when, where, to whom and under what conditions the bulk form might be resold" (J.S. 31), and held that the bulk resale restriction constituted a *per se* violation of the Sherman Act under the *Schwinn* doctrine (J.S. 35-42).

Defendant Glaxo Group Limited ("Glaxo") is a British company also engaged in the manufacture and sale of griseofulvin, which it markets through two U. S. companies, Johnson & Johnson, Inc. and Schering Corporation. Its agreements with these two companies contain bulk resale restrictions similar to those involved in the ICI-AMHO agreement (J.S. 58, No. 3). On the Government's Motion for Partial Summary Judgment, District Judge Sirica entered an order on November 20, 1969, holding these bulk resale

[1] The grounds for ICI's mootness motion are summarized in the preceding paragraph and at pp. 10 to 11, below.

restrictions to be *per se* violations of the Sherman Act (J.S. 58-59).

On April 26, 1960, Glaxo and ICI entered into an agreement that ICI would not permit its vendees to resell bulk form griseofulvin which they purchase from ICI. On the Government's Motion for Partial Summary Judgment, District Judge McGuire on April 30, 1970 entered an order holding that this bulk resale restriction was a *per se* violation of the Sherman Act insofar as it applied to ICI's U. S. vendees (J.S. 60).[2]

While the validity of the bulk resale restriction is the only antitrust issue in this case, the Government tried to interject a second antitrust issue by moving to amend the complaint to allege that Glaxo had conspired with its distributors, Johnson & Johnson and Schering, to boycott third parties. Judge Gasch denied this motion on the grounds: —(a) that "the ponderous record thus far compiled" and the nearly completed nature of the discovery "would promote extended and unnecessary delay" (J.S. 51),[3] and (b)

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[2] Judge Gasch also made findings on the ICI-Glaxo agreement, but said that he was only considering "the alleged horizontal factual context" as helpful to his understanding of the vertical aspects of the case and that "the characterization and legality of the horizontal aspects of this case" were not before him (J.S. 29-30). In further correction of the Government's statement (see J.S. 8), Judge Sirica's order (not an opinion) contains no reference to "licensees," and Judge McGuire's order (not an opinion) contains no reference to "licensees" or a "patent pooling agreement."

[3] Although the antitrust and patent issues in this case were decided by summary motion, the Government resorted to exhaustive pre-trial discovery, involving the submission by the two defendants of over 6,000 pages of documents, the answering by ICI of 33 and by Glaxo of 32 interrogatories, and the taking by the Government of 676 pages of depositions from some 20 witnesses.

that the requirements of Rule 20(a) of the Federal Rules of Civil Procedure had not been met (J.S. 51-53).

2. The Patent Issue

ICI has been granted a patent No. 2,900,304, for its inventive discovery that griseofulvin, when administered internally to humans and animals, is effective in treating fungus diseases of the skin. In this respect, it is different from all other medications for such diseases, which must be applied directly on the skin. As recognized by the Patent Office, griseofulvin was not *per se* new; it had been discovered many years before the ICI invention was made and had been investigated as a fungicide for plants, e.g., lettuce seedlings. However, its usefulness as a therapeutic agent for humans and animals had not previously been known.

The Government's complaint concedes the unique effectiveness of the drug (Par. 12), does not suggest that ICI's dosage patent is not an important inventive advance, and does not allege any facts not considered by the Patent Office. It asks for a declaratory judgment that the patent is invalid, on the technical grounds that (a) it fails to disclose the "effective amount" of griseofulvin needed to treat fungus infections, and (b) its product claims cover a new use of an old product, which, in the Government's view, may be protected only by a method claim (Pars. 19-20, and Par. 3 of Request for Relief). Defendant ICI moved under Rule 12(c) of the Federal Rules of Civil Procedure to strike the allegations of patent invalidity from the complaint, on the ground that the Government had no standing to challenge the validity of ICI's dosage patent, and Judge Gasch granted its motion (J.S. 43-50).

The Government, in its motion to amend the complaint referred to at page 6 above, sought to add an allegation as to the invalidity of a patent held by Glaxo, U. S. Patent No. 3,330,727, covering the making of an improved (finely ground or "microsize") form of griseofulvin (J.S. 50). The Government's lack of standing to attack patent validity was an additional ground for denial of this motion (J.S. 51).[4]

3. The Antitrust Relief Issue

The Final Judgment in this case was entered, after extensive briefs and affidavits by the parties and a hearing in open court (J.S. 62),[5] by Judge Gasch, who had dealt exhaustively with the antitrust liability issue. It contained comprehensive injunctions prohibiting not only the invalidated bulk resale restriction, but also any limitation or restriction (including those contained in patent licenses) by the defendants as to "the manner or form in which, or the persons to whom" their vendees sell drugs (Sec. IV(A) to (E), J.S.

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[4] Other patent allegations appearing in the Government's complaint were never proved. Thus, the Government alleged a combination on the part of ICI and Glaxo to pool their patents and to license them to their U.S. distributors in a manner unreasonably restraining trade. Relevant to this, ICI filed a detailed answer to Government's Interrogatory No. 70, setting forth the blocking nature of ICI's dosage patent and Glaxo's manufacturing patents in the U.K., and the consequent necessity and legal justification for ICI and Glaxo obtaining cross-licenses under each other's U.K. patents. Similarly, ICI's answer points out, if ICI's and Glaxo's U. S. distributors were to compete on the U. S. market, it was necessary for ICI and Glaxo to have licenses under each other's U. S. patents.

[5] The Government also subpoenaed documents and information relating to defendants' operations and to competitive market conditions, some of which are appended as exhibits to defendant ICI's Supplemental Memorandum of December 16, 1970.

71-72). The judgment gave the Justice Department far-reaching visitatorial powers (Sec. V, J.S. 72-73), and retained jurisdiction in the Court for the enforcement of compliance therewith and punishment of violations thereof (Sec. VI, J.S. 74). Over the objection of the defendants that the only antitrust violation in the case involved the resale of a drug bought from the defendants, the judgment prohibited bulk sale restrictions in the case of patent licenses where no resale was involved, i.e., so-called "manufacturing" licenses (Sec. IV(D), J.S. 72, 75).[6] The Court refused to include in the Final Judgment provisions sought by the Government requiring Glaxo and ICI to grant reasonable royalty licenses under their griseofulvin patents and to sell bulk griseofulvin on reasonable and non-discriminatory terms and prices to all *bona fide* applicants.[7]

I. THE SECOND QUESTION PRESENTED, AS TO THE REQUIREMENT FOR COMPULSORY SALE AND PATENT LICENSING RELIEF, IS NOT SUBSTANTIAL.

In its Final Judgment, the District Court went beyond prohibiting the specific conduct found illegal—the defendants' restraint on the alienation of bulk form griseofulvin by reserving the power in themselves to control the resale of the bulk product (see p. 5,

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[6] ICI referred to two statements by Antitrust Division officials recognizing that this case was not brought to test the validity of bulk sale restrictions in manufacturing licenses, see addresses of Assistant Attorney General McLaren and of Roland W. Donnem at 5 C.C.H. Trade Reporter ¶¶ 50,246, 50,260 (1969).

[7] The Government's statement of the Court's reasons for this refusal, which raises the second question presented in this appeal, is partial and truncated, as will be shown in the discussion immediately following.

above); it "range[d] broadly through practices connected with acts actually found to be illegal," *United States* v. *U. S. Gypsum Co.*, 340 U.S. 76, 88-89 (1950). The District Court adhered to the standard laid down by this Court in *United States* v. *National Lead Co.*, 332 U.S. 319, 335 (1947), that "the remedy shall be as effective and fair as possible in preventing continued or future violations of the Antitrust Act in the light of the facts of the particular case" (J.S. 66).

The following facts are relevant to the conclusion that the District Court exercised a sound discretion in declining to order compulsory patent licensing and sale relief:

1. ICI had cancelled the bulk resale restriction in October, 1967 (see pp. 4-5, above), four months after the "unpredictable" *Schwinn* ruling clarifying hitherto unclear law[8] was handed down by this Court and four months before the complaint in this case was filed.

2. ICI's power to control the resale of bulk griseofulvin had never been exercised; the bulk resale restriction never became effective.[9]

3. There was no showing that either the ICI or

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[8] See *United States* v. *Arnold, Schwinn & Co.*, 291 F. Supp. 567, 568 (N.D. Ill. 1968), and the opinion below at J.S. 37.

[9] Prior to its cancellation, neither AMHO nor ICI had received any inquiries or requests from U.S. companies for commercial supplies of bulk griseofulvin for U.S. use, and there was no occasion for AMHO to ask ICI for its consent to resell the drug. See Bland affidavits of Nov. 29, 1968 and Nov. 25, 1970 and Silverstein affidavit of Oct. 30, 1970.

the Glaxo bulk resale restriction had any actual effect on the griseofulvin market.[10]

4. As a business decision and not under judicial constraint, AMHO has, upon request, made numerous quotations on bulk and dosage, regular and microsize griseofulvin.[11] Two U. S. drug firms, Zenith and Owen, have bought griseofulvin from AMHO for marketing in the United States.[12]

5. The griseofulvin market was not a monopolized one. At least three companies competed for a declining market,[13] characterized by price competition[14] and fluctuating market shares among the competitors.[15]

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[10] The Government concedes that it was impossible to make such a showing in this case (J.S. 18, fn. 20). However all the cases on which the Government relies as justifying compulsory licensing and sale relief have involved records where the anticompetitive effects of the defendants' antitrust violations were clearly and unmistakably set forth, see pp. 12-13, fns. 16 and 18, below.

[11] See Silverstein affidavit of Oct. 30, 1970; Exhibits 2 to 19 of ICI's Supplemental Memorandum of December 16, 1970.

[12] See Bland affidavit of November 25, 1970.

[13] See Silverstein affidavit of October 30, 1970 and Exhibit 1 to ICI's Supplemental Memorandum of December 16, 1970 (containing market survey subpoenaed by the Government).

[14] See Glaxo's and ICI's answers to Government Interrogatory 43, and Bland affidavit of November 25, 1970.

[15] See Glaxo's and ICI's answers to Government Interrogatory 42(e), and Bland affidavits of November 26, 1968 and November 25, 1970. The executives of two drug firms, whose depositions were taken by the Government, testified that they were not interested in entering the griseofulvin market because of its small size and competitive nature, see depositions of L. V. Leffler of Abbott Pharmaceutical Laboratories (including GX 51 and 55) and of Messrs. Herbert, Nelson and Browning of Allergan Pharmaceuticals.

The foregoing facts fully support the District Court's finding that "the evidence does not show that a current monopolistic condition exists as a result of the bulk resale restriction" (J.S. 68), and disprove the government's contrary contention that there is an existing monopolistic market that is the product of the defendants' conduct (J.S. 18). The Court distinguished the cases relied on by the government for compulsory sale relief, on the ground that they involved illegal monopolization of the market through the use of leasing policies, for which compulsory sale was the indicated remedial alternative (J.S. 63-66).[16] In the light of its central finding and the relevant cases, the District Court properly held that compulsory sale relief was inappropriate in the circumstances of this case (J.S. 68).[17]

The District Court also found that the record contained no showing that the defendants had abused their patent rights to violate or circumvent the antitrust laws (J.S. 69). In declining to decree compulsory patent licensing, it pointed out that all the authorities

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[16] *Besser Mfg. Co.* v. *United States*, 343 U.S. 444 (1952); *United States* v. *United Shoe Machinery Corp.*, 110 F. Supp. 295 (D. Mass. 1953), *aff'd*, 347 U.S. 521 (1954); *International Salt Co.* v. *United States*, 332 U.S. 392 (1947) (where the decree did not compel sale of defendant's machines, but only *non-discriminatory* lease *or* sale *or* license).

[17] The Court pointed out (J.S. 68, fn. 27) that the final decree in *Schwinn* did not require Schwinn to sell to all applicants but allowed it to choose its distributors and retailers for various geographic areas, 291 F. Supp. 564, 565 (N.D. Ill. 1968). It also noted the absence of a compulsory sale provision in the consent decree in *United States* v. *Farbenfabriken Bayer A.G.*, 1969 C.C.H. Trade Cases para. 72,918, a case involving numerous resale restrictions in the chemical industry (the complaint in which is Appendix D to ICI's Pre-Hearing Relief Brief of December 3, 1970).

relied on by the government for this remedy involved the antitrust misuse of patents.[18]

The Court found that compulsory sale and patent licensing relief would have destroyed ICI's exclusive distributorship arrangement with AMHO,[19] which the government had not attacked and which had not been found to violate the antitrust laws (J.S. 67). The Court also reviewed the only evidence presented by the government in support of its requested relief, the affidavits of several generic and mail order drug firms,[20] and found they showed only that these firms "would endeavor to enter the griseofulvin market if they could purchase bulk supplies from Glaxo or ICI

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[18] *Besser Mfg. Co.* v. *United States*, 343 U.S. 444 (1952); *United States* v. *United States Gypsum Co.*, 340 U.S. 76 (1950); *United States* v. *National Lead Co.*, 332 U.S. 319 (1947); *Hartford Empire Co.* v. *United States*, 323 U.S. 386 (1945).

[19] AMHO, a party not before the Court, had been importing griseofulvin into the United States for eight years. It employs 400 scientists and technicians engaged in research and quality control and the expensive toxicological and clinical testing required to secure Food and Drug Administration approval of drug products. It also incurs further heavy advertising and other expenditures in connection with achieving national distribution, including 450 medical detail men who educate doctors on the efficacy and side effects of drugs. AMHO's share of the U.S. griseofulvin market was 16% in 1968 and 23.7% in 1969. See Silverstein affidavit of October 30, 1970.

[20] These firms have no connection with marketing a drug until after it has been launched and established on the market by firms such as AMHO. Their business consists of buying antibiotics in bulk, converting them to dosage form and selling the packaged product to other drug companies which distribute the product. Their advertising expense is only 5% to 8% of that of AMHO, and they have very small staffs. See Snyder affidavit of June 17, 1970; Dooner affidavit of June 5, 1970.

on the same terms as their present vendees" (J.S. 68).[21]

In summary, the District Court's refusal to order compulsory sale and patent licensing relief should be affirmed as an exercise of sound judicial discretion.

II. THE FIRST QUESTION PRESENTED, AS TO THE GOVERNMENT'S STANDING TO ATTACK PATENT VALIDITY, IS NOT APPEALABLE TO THIS COURT AND IS NOT SUBSTANTIAL.

A. The Appeal Is Not Within the Jurisdiction of This Court

Section 2 of the Expediting Act of February 11, 1903, 15 U.S.C. 29, under which this direct appeal from the District Court was lodged, is special legislation applicable in terms only to civil actions[22] brought under the Interstate Commerce Act of 1887, the Sherman Act of 1890, "or any other Acts having a like purpose" (15 U.S.C. 28). The purpose of Section 2 is to expedite antitrust litigation of "great and general importance," *Shenandoah Valley Broadcasting, Inc.* v. *American Society of Composers, Authors and Publishers*, 375 U.S. 39 (1963).

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[21] Since AMHO's research and financial contribution to the marketing of drugs so dwarfs that of the generic firms, cf. fns. 19 and 20 above, it is manifestly unfair to AMHO not only to deprive it of its exclusive distributorship, but also to require that ICI sell bulk griseofulvin to the generic houses at the same price as to AMHO.

[22] The statute, as adopted in 1903, referred to "suits in equity," *Columbia Gas & Electric Corp.* v. *American Fuel & Power Co.*, 322 U.S. 379 (1944). It was amended in 1948 to cover civil actions, but this change of language did not change the purpose, scope or effect of the law, which has been construed as including only suits akin to actions in equity, *United States* v. *St. Regis Paper Co.*, 285 F.2d 607 (2d Cir., 1960), *aff'd on other grounds*, 368 U.S. 208 (1961); cf. *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222, 227-228 (1957).

The Government's standing to attack patent validity is not itself an antitrust issue, and was found by the Court below not to be related to any antitrust issue.[23] The action herein was commenced pursuant to Section 4 of the Sherman Act (15 U.S.C. 4), which confers upon the United States standing to institute equity proceedings to enjoin violations of the Sherman Act, but no standing to attack patent validity except where the patent is relied on as a defense to an antitrust violation and no standing to obtain declaratory relief.[24] The Government's complaint (see pars. 19 and 20) charged, independently of any antitrust claims, that the ICI patent was invalid under three provisions of the Patent Code, 35 U.S.C. 100, 101 and 112. It prayed, independently of patent antitrust relief,[25] for a declaratory judgment to that effect and for the dedication and disclaimer of the ICI patent (see par. (3) of Request for Relief). The Government has not, either in the Court below or here, sought to justify its standing to attack patent validity by any antitrust Act,[26] but has relied on case

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[23] "[T]he issue is whether the United States can challenge ICI's patent independent of any antitrust claims" (J.S. 43).

[24] As this Court pointed out in the *Gypsum* case (see p. 17, below), where the Government was allowed to challenge the validity of patents urged as a defense to otherwise illegal price-fixing agreements:—"If the Government were to succeed in showing that the patents were in fact invalid, such a finding would not in itself result in judgment for cancellation of the patents" (p. 387).

[25] Separate relief was requested in Par. (4) of Request for Relief for alleged patent-antitrust violations.

[26] In the District Court, the Government specifically disavowed reliance on the antitrust laws as a basis for attacking the validity of the Glaxo patent:—"The amended complaint alleges and seeks a declaration of the invalidity of the Glaxo patent. Such alleged invalidity is not based upon any violation of the antitrust laws or on Glaxo's answer. The amended complaint alleges the patent

law and on its alleged "responsibility and right to protect the public against violations of federal policies," such as those that "favor the full and free use of ideas in the public domain" (J.S. 10-11; 14, fn. 27; 42-47).

The District Court held that there was no showing that the defendants had misused their patent rights in contravention of the antitrust laws (J.S. 69).[27] The Government's request for an adjudication that the ICI patent be declared invalid as not in conformity with the Patent Code is not an action in equity to restrain violations of the Sherman Act "or any other Acts having a like purpose." Accordingly, the Expediting Act does not apply and the Government has no right of direct appeal to this Court from the judgment of the District Court.[28]

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is invalid for failure to comply with the requirements of the patent laws [citations omitted] not directly related to Glaxo's restrictive licensing practices * * *." Memorandum of Plaintiff in Opposition to Defendant Imperial Objections to Plaintiff's July 19, 1968 Interrogatories (September 25, 1968, p. 8).

[27] As pointed out on p. 8, fn. 4, above, the Government alleged in its complaint, but failed to prove, that the defendants' patent cross-licensing and licensing arrangements unreasonably restrained trade, but there is no link of any kind between the Government's patent invalidity and antitrust claims beyond their physical coexistence in the same complaint.

[28] Thus, the direct appeal provisions of Expediting Act have been held inapplicable to bankruptcy judgments, *Columbia Gas & Electric Corp.* v. *American Fuel & Power Co.*, fn. 22, above (despite claim by the United States that the judgment might tend to defeat relief to which it was entitled in a pending antitrust suit) and to court judgments enforcing Federal Trade Commission orders relating to investigations under the anti-merger provision of the Clayton Act, *United States* v. *St. Regis Paper Co.*, fn. 22, above. *Cf., in accord, United States* v. *Interstate Commerce Commission*, 337 U.S. 426, 441-443 (1949), holding railroad reparations orders and orders for the payment of money not within statute authorizing direct appeal from three-judge district court to Supreme Court.

The Government's reliance on *Gypsum,* 333 U.S. 364 (1948), as supporting its standing to attack patent validity (J.S. 10-12) is unfounded, and does not convert its cause of action under the patent laws into an antitrust action. That case is distinguishable from the present one on facts which were critical to the decision of that case. In *Gypsum* the Government had attacked a network of patent licensing arrangements as violative of the Sherman Act. The defendants had admitted that "in the absence of whatever protection is afforded by valid patents, the licensing arrangements described would be in violation of the Sherman Act" (p. 386), and had asserted their patents as justifying those licensing arrangements. Faced with the issue whether the District Court had jurisdiction to consider the patents' validity, the Supreme Court held that: "In a suit to vindicate the public interest by enjoining violations of the Sherman Act, the United States should have the same opportunity [as an individual licensee] to show that the asserted shield of patentability does not exist" (p. 388). Here, as the Court below pointed out, ICI has *not* raised its patent in defense of the Government's antitrust claims; the *Gypsum* case is therefore inapposite (J.S. 43; see also p. 15, fn. 24, above).

If the Expediting Act were to be construed to permit direct review in this Court of the Government's standing to challenge patent validity, it would by the same logic permit similar direct review of the merits of whether each of the three technical provisions of the Patent Code were in fact, as argued by the Government, not satisfied by the ICI patent (see pp. 7, 15, above) or, for that matter, any issue of patent validity which the Justice Department decides to litigate. This Court

has expressed doubts as to the wisdom of the Expediting Act even in antitrust cases:—

> "Whatever may have been the wisdom of the Expediting Act in providing direct appeals in antitrust cases at the time of its enactment in 1903, time has proven it unsatisfactory. See e.g., Gesell, A Much Needed Reform—Repeal the Expediting Act for Antitrust Cases, in 1961 N.Y. State Bar Assn. Antitrust L. Sym. 98 (CCH). Direct appeals not only place a great burden on the Court but also deprive us of the valuable assistance of the Courts of Appeals." [29]

Patent litigation, like antitrust litigation, involves the same need on the part of this Court for the assistance of the Courts of Appeals in examining lengthy records and resolving all questions.[30] Thus, not only the language of the Expediting Act, but also considerations of sound judicial administration, preclude the Act's application to declaratory judgment actions arising under the Patent Code.

B. The Question Is Not Substantial

The Government, ignoring completely the detailed system of judicial review of Patent Office decisions provided by the Congress, urges as its main argument that the courts should "encourage authoritative testing

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[29] *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 175, fn. 1 (1963). See also the concurring opinions of Mr. Justice Clark and Mr. Justice Harlan in *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 355, 363-365 (1962).

[30] Merely in the course of the Government's pre-trial preparations for its attack on the validity of two griseofulvin patents, the ICI dosage and the Glaxo microsize patents, the Government propounded 37 ramified interrogatories to Glaxo and ICI. It also served a motion to produce, under which it obtained 1,700 pages of documents relating to the Glaxo patent from ICI alone.

of patent validity," in order to promote the federal policy favoring "the full and free use of ideas in the public domain" and to avoid monopolistic consequences (J.S. 10-11).

Quite apart from the lack of statutory basis for the Government's position, the granting of this appeal will not promote any such federal policies. In the first place, the ICI patent is not being challenged on the score of its lack of inventiveness or importance, or because it claims an "idea in the public domain," but because the Justice Department disagrees with the judgment of the Patent Office with respect to three technical requirements of the Patent Code (see pp. 7 and 15, above). Also, the District Court found that the evidence did not show any current monopolistic condition on the market (see J.S. 68 and pp. 11 to 12, above). Moreover, ICI has, on its own initiative, offered to grant non-exclusive licenses under its patent at reasonable terms and conditions (see District Court Finding No. 15, J.S. 28), and has pursuant to this offer entered into patent license agreements with five small U. S. drug firms;[31] it cannot be said here that, in the language of *Blonder-Tongue Laboratories* v. *University Foundation,* 402 U.S. 313, 346-347 (1971), the ICI patent might serve as a "barrier[s] to the entry of new firms—particularly small firms."

Gypsum, so heavily relied on by the Government (see J.S. 10 to 15), is in several respects inconsistent with the Government's contentions (see pp. 15, fn. 24 and 17, above), and has not, as claimed by the

[31] Under these agreements, the licensees' obligation to pay royalties terminates if the ICI patent is found invalid. See Bland affidavit of November 25, 1970 and agreements attached to Bland affidavit of February 19, 1969.

Government, superseded *United States* v. *Bell Telephone Company,* 167 U.S. 224 (1897) (Bell III).[32] In Bell III this Court clarified what it had said in Bell I and II, both as to the limited nature of equity jurisdiction and the dependency of jurisdiction to review Patent Office decisions upon specific Congressional authorization:

> "But while there was thus rightfully affirmed [in Bell I and II] the power of the Government to proceed by suit in equity against one who had wrongfully obtained a patent for land or for an invention, there was no attempt to define the character of the fraud, or deceit, or mistake, or the extent of the error as to power which must be established before a decree could be entered cancelling the patent. It was not affirmed that proof of any fraud, or deceit, or the existence of any error on the part of the officers as to the extent of their power, or that any mistake in the instrument was sufficient to justify a decree of cancellation. *Least of all was it intended to be affirmed that the courts of the United States, sitting as courts of equity, could entertain jurisdiction of a suit by the United States to set aside a patent for an invention on the mere ground of error of judgment on the part of the patent officials. That would be an attempt on the part of the courts in collateral attack to exercise an appellate jurisdiction over*

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[32] The Government incorrectly asserts that Bell III's holding that the United States may sue to cancel a patent only when "fraud or deceit" is alleged was "unnecessary to the decision in that case" (J.S. 13). In addition to the "fraud" alleged in Bell III, there were "three remaining grounds of relief" (167 U.S. at 263) and, with respect to these, this Court held:

> "The judgment of the Patent Office, the tribunal established by Congress to determine such questions, was adverse to the contention of the Government and such judgment cannot be reviewed in this suit" (p. 264).

decisions of the Patent Office, although no appellate jurisdiction has been by the statutes conferred" (p. 269; italics supplied).

Allowing the Government the standing to challenge the validity of patents issued by its own Patent Office would needlessly increase the heavy burdens of our patent litigation system, which already consumes a disproportionate part of court time and is exceedingly costly for the litigants, patentees and alleged infringers alike, *Blonder-Tongue Laboratories, Inc.* v. *University Foundation*, 402 U.S. at 334-338. In this case, the ICI patent does not thwart "the public interest in free competition" (see p. 19, above) or in the "full and free use of ideas in the public domain."[33] The absence of any such public interest reinforces the case for not adding, with respect to issued patents, to either the courts' or the litigants' heavy burdens, where for seventy-five years direct governmental intervention has been limited to cases involving fraud or deceit.[34]

It would not help the enforcement of the patent laws, and would detract from enforcement of the antitrust laws, to divert the Antitrust Division from its historic and already burdensome antitrust role, by giving it a roving mission at its discretion to challenge patent

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[33] It strains the realities to base the case for judicial review of patents of invention, as the Government does, on such remote analogies as the removal of physical impediments to commerce (J.S. 14, fn. 12).

[34] See *United States* v. *Cold Metal Process Co.*, 57 F. Supp. 317, 321 (N.D. Ohio 1944), 62 F. Supp. 127, 138-39 (N.D. Ohio 1945), *aff'd*, 164 F. 2d 754 (6th Cir. 1947), *cert. denied*, 334 U.S. 811 (1948), *rehearing denied*, 334 U.S. 835 (1948); *United States* v. *Standard Electric Time Co.*, 155 F. Supp. 949 (D. Mass. 1957) (decided after *Gypsum*).

validity in situations where such a challenge is unrelated to any antitrust claims, whether made by the Government or by the defendants. As the Court below clearly pointed out (J.S. 45-47), such a result accords neither with the decisions of this Court nor with the framework which Congress has devised for the review of Patent Office decisions.

Respectfully submitted,

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